IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering circular (the "Preliminary Offering Circular") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Preliminary Offering Circular. In accessing the Preliminary Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE FOLLOWING PRELIMINARY OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS PRELIMINARY OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS PERMITTED BY REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITHIN THE UNITED STATES TO QIBs (AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB"), OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your Representation: In order to be eligible to view this Preliminary Offering Circular or make an investment decision with respect to the securities, you must be (i) a person that is outside the United States for the purposes of Regulation S under the Securities Act or (ii) a QIB that is acquiring the securities for its own account or for the account of another QIB. By accepting the e-mail and accessing this Preliminary Offering Circular, you shall be deemed to have represented to us that you are outside the United States for the purposes of Regulation S under the Securities Act or that you are a QIB and that you consent to delivery of such Preliminary Offering Circular by electronic transmission. You are reminded that this Preliminary Offering Circular has been delivered to you on the basis that you are a person into whose possession this Preliminary Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Preliminary Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of Evraz Group S.A. in such jurisdiction.

Under no circumstances shall this Preliminary Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. This Preliminary Offering Circular may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to Evraz Group S.A.

This Preliminary Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Morgan Stanley & Co. International Limited, Credit Suisse First Boston (Europe) Limited, Renaissance Securities (Cyprus) Limited nor any person who controls, nor any director, officer, employee nor agent of, Morgan Stanley & Co. International Limited, Credit Suisse First Boston (Europe) Limited or Renaissance Securities (Cyprus) Limited nor affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Circular distributed to you in electronic format and the hard copy version available to you on request from Morgan Stanley & Co. International Limited, Credit Suisse First Boston (Europe) Limited or Renaissance Securities (Cyprus) Limited.

PRELIMINARY OFFERING CIRCULAR DATED 19 MAY 2005

SUBJECT TO COMPLETION

EVRAZ GROUP

EVRAZ GROUP S.A.

(incorporated in Luxembourg as a company with limited liability)

Global Offering of 9,700,000 Shares in the form of Global Depositary Receipts
Offer Price Range: U.S.$13.50 to U.S.$17.00 per Global Depositary Receipt

This Offering Circular relates to an offering (the "Offering") by Evraz Group S.A. (the "Company") of 9,700,000 of its ordinary shares, each with a nominal value of €2 per share (the "Shares"), in the form of global depositary receipts ("GDRs"), with three GDRs representing an interest in one Share.

The Offering consists of (a) an offering (the "U.S. Offering") in the United States to certain qualified institutional buyers (each a "QIB") as defined in Rule 144A ("Rule 144A") under the United States Securities Act of 1933, as amended (the "Securities Act"), of GDRs (the "Rule 144A GDRs") in reliance on Rule 144A or another exemption from, or transaction not subject to, registration under the Securities Act and (b) an offering (the "International Offering") outside the United States of GDRs (the "Regulation S GDRs") in reliance on Regulation S under the Securities Act ("Regulation S"). The GDRs will not be offered to residents of Luxembourg other than to professional investors. GDRs are not being made available, in whole or in part, to the public in connection with the Offering.

The Company has granted to Morgan Stanley & Co. International Limited (the "Stabilising Manager") an option (the "Over-allotment Option") exercisable within 30 days after the closing of the Offering, which is expected to occur on or about ● 2005 (the "Closing Date"), to purchase a maximum of 1,455,000 additional Shares in the form of GDRs, solely to cover over-allotments, if any, in the Offering. See "Subscription and Sale".

The GDRs are of a specialist nature and should normally only be bought and traded by investors who are particularly knowledgeable in investment matters. See "Risk Factors" beginning on page 11 for a discussion of certain matters that prospective investors should consider prior to making an investment decision.

Application has been made (i) to the UK Financial Services Authority (the "UKLA") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "FSMA") for up to 355,077,978 GDRs, consisting of up to 29,100,000 GDRs to be issued on the Closing Date, up to 4,365,000 additional GDRs to be issued pursuant to the over-allotment option, as described herein, and up to 321,612,978 additional GDRs to be issued from time to time against the deposit of Shares with The Bank of New York, as depositary (the "Depositary"), to be admitted to the Official List of the UKLA (the "Official List") and (ii) to the London Stock Exchange plc (the "London Stock Exchange") for such GDRs to be admitted to trading on the London Stock Exchange's market for listed securities and in particular on the International Order Book (the "IOB"). Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute admission to official listing on a stock exchange ("Admission"). Application has been made for the Rule 144A GDRs to be designated as eligible for trading in The PORTAL Market of The Nasdaq Stock Market, Inc. ("PORTAL"). Prior to the Closing Date there has not been any public market for the Shares or the GDRs. It is expected that conditional trading through the IOB will commence on a "when issued" basis on or about ● 2005, and unconditional trading through the IOB will commence on or about ● 2005. **All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. The Shares have not been, and are not expected to be, listed on any stock exchange.**

A copy of this Offering Circular, including the financial statements contained herein, comprises listing particulars relating to the Company prepared in accordance with the Listing Rules of the UKLA (the "Listing Rules") made pursuant to Part VI of the FSMA and has been delivered to the Registrar of Companies for England and Wales for registration in accordance with Section 83 of the FSMA.

The Shares and the GDRs are not and will not be listed in Luxembourg. This Offering Circular has not been reviewed, approved or disapproved by any regulatory authority in Luxembourg. The Company is not subject to the ongoing reporting requirements of the securities laws of Luxembourg.

The GDRs offered hereby are offered severally by the Managers referred to in "Subscription and Sale" (the "Managers") or through their selling agents, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. The Regulation S GDRs will be evidenced by a Master Regulation S Global Depositary Receipt (the "Master Regulation S GDR") registered in the name of The Bank of New York Depositary (Nominees) Limited, as nominee for The Bank of New York, London branch, as common depositary for Euroclear Bank N.V./S.A. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Rule 144A GDRs will be evidenced by a Master Rule 144A Global Depositary Receipt (the "Master Rule 144A GDR" and, together with the Master Regulation S GDR, the "Master GDRs") registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC") in New York. Except as described herein, beneficial interests in the Master GDRs will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their direct and indirect participants. It is expected that delivery of the GDRs will be made on or about ● 2005 through Euroclear and Clearstream, Luxembourg with respect to the Regulation S GDRs and through DTC with respect to the Rule 144A GDRs.

Global Co-Ordinator

Morgan Stanley

Joint Lead Managers and Joint Bookrunners

Credit Suisse First Boston **Morgan Stanley** **Renaissance Capital**

The date of this Offering Circular is ● 2005

(This page has been left blank intentionally.)

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the Company's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The contents of Evraz's websites do not form any part of this Offering Circular.

Any reference in this document to Listing Particulars refers to this Offering Circular.

In their capacity as authorised adviser to the Company in respect of the application for admission of the GDRs to the Official List, Morgan Stanley & Co. International Limited are acting exclusively for the Company and no one else in connection with the Offering and will not be responsible to any other person for providing the protection afforded to its clients or for providing advice in relation to the Offering.

No person is authorised to give any information or to make any representation in connection with the offering or sale of the GDRs other than as contained in this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Depositary (as defined below) or any of the Managers. This Offering Circular is being furnished by the Company solely for the purpose of enabling a prospective investor to consider the purchase of the GDRs. No representation or warranty, express or implied, is made by any Manager or any of their affiliates or advisors as to the accuracy or completeness of any information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by any Manager as to the past or the future. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the GDRs is prohibited, except to the extent that such information is otherwise publicly available. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct at any time subsequent to such date. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

This Offering Circular does not constitute an offer to sell, or a solicitation by or on behalf of the Company, the Depositary or any Manager to any person to subscribe for or purchase any of the GDRs in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Offering Circular and the offering or sale of the GDRs in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular may come are required by the Company and the Managers to inform themselves about and to observe such restrictions. No action has been taken by the Company or the Managers that would permit, otherwise than under the Offering, an offer of the GDRs, or possession or distribution of this Offering Circular or any other offering material or application form relating to the GDRs in any jurisdiction where action for that purpose is required. This Offering Circular may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. Further information with regard to restrictions on offers and sales of the GDRs is set forth under "Subscription and Sale".

The Regulation S GDRs and the Rule 144A GDRs will be delivered by the Depositary, pursuant to the Deposit Agreement (the "Deposit Agreement"), expected to be dated the Closing Date, between the Company and the Depositary. The Shares represented by the GDRs will be registered in the name of the Depositary or its nominee.

In connection with the Offering, Morgan Stanley & Co. International Limited or any agent acting for it may over-allot or effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail, for a limited period. However, there may be no obligation on Morgan Stanley & Co. International Limited or any agent for it to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of this Offering Circular, including the risks involved.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as "relevant persons"). The GDRs are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such GDRs will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The Offering should not be considered a public offering in the Grand Duchy of Luxembourg ("Luxembourg"). This Offering Circular may not be reproduced or used for any purpose in Luxembourg other than the Offering, nor provided to any person in Luxembourg other than the recipient thereof. The securities are offered in Luxembourg to a limited number of sophisticated investors in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations in Luxembourg are banned and the Offering may not be publicly advertised nor may the Offering Circular be circulated to the general public in Luxembourg.

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements", which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Among the important factors that could cause the Company's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements include those in "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Risk Factors" and elsewhere in this Offering Circular. These forward-looking statements speak only as at the date of this Offering Circular. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by the Listing Rules.

AVAILABLE INFORMATION

For so long as any Shares or GDRs representing such Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is incorporated under the laws of Luxembourg. Certain persons referred to herein are residents of the Russian Federation and certain entities referred to herein are organised under the laws of the Russian Federation or Luxembourg. Except for certain non-executive members of the Company's Board of Directors, who are residents of the United Kingdom, all or a substantial portion of the assets of such persons, entities and the Company are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process upon such persons in the United States or to enforce against them or the Company judgments obtained in United States courts predicated upon the civil liability provisions of U.S. securities laws.

The enforcement of judgments obtained outside of Luxembourg in Luxembourg is conditional upon obtaining an enforcement order in Luxembourg. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Luxembourg.

Judgements rendered by a court in any jurisdiction outside Russia will be recognised by courts in Russia only if (i) an international treaty providing for the recognition and enforcement of judgements in civil cases exists between Russia and the country where judgement is rendered and/or (ii) a federal law of Russia providing for the recognition and enforcement of foreign court judgements is adopted. No such federal law has been passed and no such treaty for the reciprocal enforcement of foreign court judgements in civil cases exists between Russia, on the one hand, and the United States or United Kingdom, on the other.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Company's audited consolidated financial statements in respect of the financial years ended 31 December 2004, 2003 and 2002 included in this Offering Circular (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board.

Market data used in this Offering Circular, including without limitation under the captions "Industry Overview" and "Regulatory Matters", have been extracted from official and industry sources and other sources the Company believes to be reliable. Throughout this Offering Circular, the Company has also set forth certain statistics, including statistics in respect of product sales volumes and market share, from industry sources and other sources the Company believes to be reliable. The Company accepts responsibility for accurately reproducing such information, data and statistics. Such information, data and statistics may be approximations or estimates or use rounded numbers.

In this Offering Circular, all references to "Evraz" are to the Company and its consolidated subsidiaries, taken as a whole.

In this Offering Circular, all references to "RUR", "Rouble" and "rouble" are to the currency of the Russian Federation ("Russia"), all references to "€" and "euro" are to the currency of the participating member states in the third stage of the Economic and Monetary Union of the Treaty establishing the European community, and all references to "U.S.$", "U.S. dollar" and "dollar" are to the currency of the United States of America. Solely for the convenience of the reader, and except as otherwise stated, this Offering Circular contains translations of some Rouble amounts into U.S. dollars at a conversion rate of RUR27.75 to U.S.$1.00, which was the rate published by the Central Bank of the Russian Federation ("CBR") on 31 December 2004. No representation is made that the rouble or dollar amounts referred to

herein could have been or could be converted into rubles or dollars, as the case may be, at these rates, at any particular rate or at all. See "Exchange Rate Information".

In this Offering Circular, all references to "U.S." are to the United States of America, all references to "U.K." are to the United Kingdom and all references to the "EU" are to the European Union and its member states as of the date of this Offering Circular. All references to "CIS" are to the countries that formerly comprised the Union of Soviet Socialist Republics and that are now members of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

In this Offering Circular, all references to "tonnes" are to metric tonnes, and one metric tonne is equal to one thousand kilograms.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

TABLE OF CONTENTS

(This page has been left blank intentionally.)

SUMMARY

This summary highlights certain aspects of Evraz's business and the Offering, but potential investors should read the entire Offering Circular, including the financial statements and related notes, before making an investment decision. Prospective investors should also carefully consider the information set forth under the heading "Risk Factors".

EVRAZ

Overview

Evraz is one of the largest vertically-integrated steel and mining businesses with operations mainly in the Russian Federation. Evraz produced 13.7 million tonnes of crude steel in 2004, ranking it as the largest producer of steel and steel products in Russia, the largest Russian producer of long products and among the fifteen largest steel producers in the world. Evraz sold 13.1 million tonnes of rolled steel products and produced approximately 7.8 million tonnes of iron ore products in 2004, and Evraz Ruda, which was then under common control with Evraz and was acquired by Evraz in March 2005, produced an additional 5.4 million tonnes of iron ore products. Most of Evraz's iron ore products are used in its steel making operations. Evraz's total consolidated revenues in 2004 amounted to U.S.$5,924.6 million, compared to U.S.$2,132.6 million in 2003.

Evraz's principal assets are:

- Three steel plants: OAO Nizhny Tagil Iron and Steel Plant ("NTMK"), which is located in Nizhny Tagil, Sverdlovsk region; OAO West Siberian Iron and Steel Plant ("ZapSib"), the largest steel plant in Siberia and the eastern-most steel plant in the Russian Federation, located near Novokuznetsk, Kemerovo region; and OAO Novokuznetsk Iron and Steel Plant ("NKMK"), located in Novokuznetsk;
- Three iron ore mining and processing facilities: OAO Kachkanarsky Mining and Metallurgical Complex ("KGOK"), which is located in Sverdlovsk region near NTMK; OAO Evraz Ruda ("Evraz Ruda"), which operates mines in Kemerovo region, the Republic of Khakassia and south Krasnoyarsk Krai and which Evraz acquired in March 2005; and OAO Vysokogorsky Mining and Metallurgical Complex ("VGOK"), which is located in Sverdlovsk region near NTMK;
- Two coal mines: OOO Mine 12 ("Mine 12"), which is located in Kemerovo region near ZapSib and NKMK and produces coking coal and steam coal, and which Evraz acquired in March 2005; and OAO UK Neryungri Ugol ("Neryungri Ugol"), which is developing coking coal deposits in the Republic of Sakha (Yakutia) and that is expected to commence production in 2006; and
- Trading and logistics assets, including OAO Nakhodka Sea Port ("Nakhodka Sea Port"), one of the largest ports in the Russian Far East and through which Evraz ships most of its exports.

Evraz also holds a 47.7% interest in ZAO Raspadskaya ("Raspadskaya"), a coking coal mine located in Kemerovo region that is accounted for on the equity basis in the Consolidated Financial Statements. In January 2005, Evraz was announced as the winner in a privatisation tender for the assets of AO Chiaturmanganum, a manganese ore producer, and AO Vartsikhe GES, a hydroelectric power plant, both of which are located in Georgia. On completion of the acquisitions of these assets, which is expected to occur in mid-June 2005, the assets are to be contributed into a joint venture with shareholders of AO Zestafoni Ferroalloy Plant ("Zestafoni") (who are contributing their shares in Zestafoni), also located in Georgia, of which Evraz will own 63.08%.

For further information about the structure and history of Evraz, see "Description of Business—Overview" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reorganisation and Formation of the Company".

Competitive Strengths

Dominant producer of long products in Russia: As noted above, Evraz is the largest producer of steel in Russia, the largest Russian producer of long products and among the fifteen largest steel producers globally. Evraz is the leading producer in the Russian railway products sector with an estimated nearly

100% market share in rails (by volume) in 2004 (as well as an estimated 27% market share in wheels). In the Russian construction sector, Evraz estimates that it had an 86% market share in H-beams and a 48% market share in channels in 2004, all in terms of volume, giving Evraz a strong competitive position as a full-product range producer in the domestic construction steel market. These market sectors are experiencing high levels of demand growth in Russia and there is relatively limited competition from other Russian producers, which primarily focus on producing flat products.

Vertically-integrated business: As a vertically-integrated steel producer, Evraz's exposure to high and variable raw material prices is limited by its significant internal sources of raw materials. Evraz is a large iron ore producer, sourcing approximately 73% of its iron ore requirements in 2004 from its own mining segment (including full-year supplies from KGOK, which was acquired in May 2004, and supplies from Evraz Ruda, which was acquired in March 2005) and with capacity from these operations sufficient to cover 86% of its iron ore requirements in 2004. Substantially all of the mining segment's iron ore products are produced from iron ore mined by Evraz. Evraz also obtains significant quantities of coking coal from its equity investee Raspadskaya and affiliate Yuzhkuzbassugol, which together supplied approximately 69% of Evraz's total coking coal requirements in 2004 (these companies, together with the recently acquired Mine 12, in aggregate produced approximately 158% of these requirements). Evraz sells the iron ore products that it does not consume internally to third partes.

Low cost producer: Russia is the one of the lowest cost regions for steel production, enabling Evraz to benefit from some of the lowest production costs in the steel industry worldwide. Moreover, its favourably located mining operations enable Evraz to obtain a stable supply of raw materials on the basis of relatively low transport costs. In addition to these cost advantages, as the largest producer of steel in Russia Evraz benefits from economies of scale in production and negotiating power with its suppliers. In order to maintain its cost competitiveness, Evraz has made and continues to make significant capital expenditures in upgrading its facilities to increase productivity and yield.

Strong positions in high growth steel markets: Evraz has a leading market position in products with strong growth profiles in Russia, such as construction and railway products. The construction sector has grown faster than GDP in Russia in recent years, and continues to do so, resulting in significant growth in demand for steel products. Evraz also expects demand for its principal railway products (rails and wheels) to increase significantly as the Russian railroad network is upgraded following a long period of underinvestment, particularly in light of a capital expenditure programme of approximately U.S.$21 billion from 2005 through 2007 announced by OAO Russian Railways ("Russian Railways") focused primarily on upgrading and refurbishment of infrastructure and rolling stock. Evraz is also well-positioned in the growing east and southeast Asian markets for billets and slabs as a result of the location of its production facilities and its ownership of Nakhodka Sea Port on Russia's Pacific coast.

Attractive and growing mining business: Evraz has a strong asset base in iron ore, making Evraz the second largest iron ore producer in Russia, as well as an equity interest in a major coking coal producer and other coking coal assets. Evraz has sought to increase its sales of iron ore to third parties and expects to begin selling coking coal to third parties, as well as to reduce its dependence on outside suppliers of raw materials through both organic growth and additional acquisitions. Evraz is also among the largest producers of vanadium slag globally.

Dynamic and experienced management team: Evraz's management team has a proven track record in managing operations under its control and turning around newly acquired underperforming assets, including Evraz's major production facilities. Evraz's senior management team combines extensive industry and marketing experience with financial and management expertise, and its newly-formed board of directors includes individuals who have been involved in Evraz's business as well as three internationally experienced non-executive directors.

Strong financial performance: As an integrated low-cost steel producer that has invested substantially in modernising its operations, Evraz has benefited from the improved market environment in recent years and generated strong cash flows and returns, resulting in net cash flow from operating activities of U.S.$957 million and an Adjusted EBITDA margin of approximately 33.8% in 2004. Evraz is in a strong financial position, illustrated by its Net Debt to Adjusted EBITDA ratio of 0.51 at the end of 2004. See "Summary Financial Data" for definitions of Adjusted EBITDA and Net Debt used by Evraz. Evraz believes that its strong cash flows, margins and financial position will help it to maintain and grow its business.

Strategy

Evraz's strategy is to enhance its position as a leading low-cost producer of long products in Russia, particularly in the construction and railway sectors, and to expand its presence in export markets for semi-finished products and in the production and sale of iron ore and coking coal. Evraz intends to pursue this strategy by enhancing its margin profile, achieving superior growth and expanding its mining platform, as set out below.

Enhance Margin Profile

- **Realisation of synergies from recent acquisitions and continued capital expenditure-driven efficiency improvements in order to retain Evraz's position as one of the most cost efficient integrated steel making and mining groups worldwide.** Evraz's management believes that producing low-cost steel products is essential to ensure the competitiveness of its plants. In the short to medium term Evraz intends to realise synergies from the integration of recent acquisitions by rationalising production across its plants and making selective investments in improved production technology, such as increasing the use of continuous casting in its steel production, ongoing blast furnace refurbishments and closure of open hearth furnace production facilities. In support of these objectives, Evraz has planned U.S.$411 million in capital expenditure in respect of its steel segment in 2005 and a further U.S.$550 million from 2006 through 2010.
- **Enhance product mix to expand Evraz's position as a competitive exporter of semi-finished products.** Evraz's management believes that semi-finished products will continue to offer the best export opportunities for Evraz, as these products generally are not subject to protective trade measures. Evraz is also seeking to increase the proportion of slabs in its export mix, as it believes that slab export markets offer it strong long-term growth prospects and potentially greater margins than billet export markets. As a result, Evraz has made significant investments in expanding its continuous slab-making capacity in order to become a flexible manufacturer capable of delivering a wide range of slab sizes and specifications to customers, and it expects the share of slabs in its exports to increase through 2007. Evraz's capacity for producing slabs has recently increased following the commissioning of additional continuous casters, with total annual slab production capacity increasing from 1.2 million tonnes at the end of 2003 to 2.7 million tonnes by the end of 2004 and planned to reach 5.2 million tonnes by 2006.

Achieve Superior Growth

- **Capture domestic growth.** Evraz intends to leverage its leading position in Russia's construction sector, which, as noted above, has grown and continues to grow faster than GDP in Russia. Evraz intends to develop its own distribution network to capture incremental margin on its construction sector sales in Russia and to foster higher market share retention. In particular, Evraz intends to focus on selling higher value-added products, such as beams and channels, strengthening its position as a leading full-range supplier to the Russian construction industry. In the railway sector, Evraz intends to capitalise on its position as a dominant supplier to Russian Railways in light of Russian Railways' announced capital expenditure program, for example building on recently completed improvements to its wheel-making facilities that increased annual production capacity by approximately 40%, to 630,000 units (approximately 250,000 tonnes) annually. Evraz plans to continue making selective investments in quality upgrades and product range expansion to maintain its dominant position in railway products.
- **Developing markets outside Russia.** Evraz intends to achieve growth by capturing additional margins through focused acquisitions of re-rolling and other complementary assets outside Russia, which can be supplied by its fast growing slab production capacity. As part of this strategy, Evraz has recently entered into a non-binding memorandum of understanding to acquire Palini e Bertoli SpA, a producer of steel plate products that is located in Italy, and submitted a preliminary non-binding bid for Vitkovice Steel, a rolling mill that is being privatised by the government of the Czech Republic. Evraz is also considering further acquisitions of steel production assets in the CIS.

Expand Mining Platform

- **Enhance profitability and security of supply through vertical integration.** Evraz is seeking to increase its iron ore and coking coal production in order to enhance its margins on sales of steel products. To accomplish this objective, Evraz plans to intensify production from its existing iron ore and coking coal reserves through capital expenditures targeted at improving production capacity and efficiency. In addition, Evraz intends to expand its mining asset base through acquisitions of additional subsoil licences as well as through selective acquisitions of existing iron ore and coal mining assets, primarily in Russia and the CIS. In the coal sector, Evraz may seek to increase its interest in Raspadskaya and to acquire Yuzhkuzbassugol, should the opportunities arise.
- **Drive growth through increased sales of mining products to third parties.** Evraz intends to increase its sales of iron ore and coking coal to third parties in order to benefit from favourable market conditions for these products and to develop capabilities for exporting coking coal. Evraz is currently developing a greenfield mine for high quality coking coal, Neryungri Ugol, in eastern Siberia that will focus on third party sales to Asian markets and that is expected to start operations in 2006 and have an annual output of approximately three million tonnes by 2008. Evraz plans to pursue further such opportunities and acquisitions.

THE OFFERING

The Offering	The Offering comprises up to 29,100,000 GDRs, representing 9,700,000 new Shares (the "New Shares") to be issued by the Company. The GDRs are being offered (a) in the United States to QIBs in the form of Rule 144A GDRs in reliance on Rule 144A or another exemption from, or transaction not subject to, registration under the Securities Act and (b) outside the United States in the form of Regulation S GDRs in reliance on Regulation S.
Over-allotment Option	The Company has granted the Over-allotment Option to Morgan Stanley & Co. International Limited exercisable within 30 days after the Closing Date, to purchase a maximum of 1,455,000 additional Shares in the form of GDRs solely to cover over-allotments, if any, in the Offering. See "Subscription and Sale".
Offer Price Range	U.S.$13.50 to U.S.$17.00 per GDR
The GDRs	Three GDRs will represent one Share. The GDRs will be issued and delivered by the Depositary under the Deposit Agreement. The Regulation S GDRs will be evidenced by the Master Regulation S GDR and the Rule 144A GDRs will be evidenced by the Master Rule 144A GDR. See "Summary of Provisions Relating to the GDRs while in Master Form". GDRs representing 9,700,000 Shares will initially be created for the purposes of the Offering.
Depositary	The Bank of New York
No dealing	Each of the Company, Crosland Global Limited ("the Principal Shareholder") and each of Mr. James W. Campbell, Lord Daresbury and Mr. Terry Robinson has agreed with the Managers that, during the period beginning with the date of the Underwriting Agreement (as defined in "Subscription and Sale") and continuing to, and including the date 180 days after the Closing Date, it will not offer, issue, sell, contract to sell, pledge (or charge in respect of the Principal Shareholder), grant options over or otherwise dispose of any securities (or publicly announce any such issuance, offer, sale or disposal) of the Company that are substantially similar to the Shares or GDRs, or enter into any transaction with the same economic effect as any of the foregoing, without the prior written consent of the Joint Lead Managers. See "Subscription and Sale".
Control of the Company	Following the Offering, the Principal Shareholder will own approximately 91.7% of the Company's issued and outstanding share capital (or 90.6% if the Over-allotment Option is exercised in full). Mr. Alexander Abramov, the Company's Chief Executive Officer and Chairman of its Board of Directors, has a beneficial interest in 65.26% of the Principal Shareholder, and Mr. Alexander Frolov, Evraz's Senior Executive Vice President and a member of the Company's Board of Directors, has a beneficial interest in 31.11%. See "Risk Factors—Risks Relating to Evraz—Evraz has been and will continue to be controlled by two beneficial owners whose interests could conflict with those of the holders of the GDRs" and "Principal Shareholders".

Voting Rights	The Shares are subject to applicable provisions of Luxembourg corporate law and the articles of association of the Company in effect after the Closing Date (the "Articles"). See "Description of Share Capital and Corporate Structure—Voting Rights". The Depositary will endeavour to exercise on behalf of holders of GDRs, at any meeting of holders of the Shares of which the Depositary receives timely notice, the voting rights relating to whole numbers of Shares underlying the GDRs in accordance with instructions it receives from holders of GDRs, but only if the Company notifies the Depositary of the resolution to be voted upon. If no voting instructions are received in respect of any GDR, the Depositary may issue a discretionary proxy to a person designated by the Company to provide voting instructions in respect of the Shares underlying such GDR. See "Terms and Conditions of the Global Depositary Receipts—the Global Depositary Receipts—Voting Rights".
Dividends	Holders of Shares, including the Depositary, will be entitled to receive amounts (if any) paid by the Company as dividends on the Shares. The Company intends to pay an interim dividend for 2005 totaling U.S.$200 million to shareholders of record as of 31 May 2005. Mastercroft Limited ("Mastercroft"), which was Evraz's holding company prior to the formation of the Company, declared total dividends of U.S.$189 million through 13 January 2005. See "Dividend Policy".
Taxation	For a discussion of certain United States federal, United Kingdom and Luxembourg income tax consequences of purchasing and holding the GDRs, see "Taxation".
Use of Proceeds	Net proceeds to the Company of the Offering are expected to be approximately U.S.$424.1 million, assuming no exercise of the Over-allotment Option, or approximately U.S.$488.2 million, assuming that the Over-allotment Option is exercised in full and, in each case, assuming an Offer Price of the mid-point of the Offer Price Range. The Company intends to use these net proceeds to pursue the acquisition and/or new development of additional mining assets in Russia and the CIS, to make selected acquisitions of steel operations in the CIS and downstream steel operations outside of Russia and to consolidate its ownership interests in subsidiaries. See "Use of Proceeds".
Listing and Trading	Application has been made (i) to the UKLA for a listing of up to 355,077,978 GDRs, consisting of up to 4,365,000 GDRs to be issued on the Closing Date, up to 29,100,000 additional GDRs to be issued pursuant to the Over-allotment Option, as described herein, and up to 321,612,978 additional GDRs to be issued from time to time against the deposit of Shares with The Bank of New York, as Depositary, to be admitted to the Official List and (ii) to the London Stock Exchange for such GDRs to be admitted to trading on the London Stock Exchange's market for listed securities and in particular on the IOB. Application has been made for the Rule 144A GDRs to be designated as eligible for trading on PORTAL. Prior to the Closing Date, there has not been any public market for the Shares or the GDRs. It is expected that conditional trading of the GDRs through the IOB will commence on a "when issued" basis on or about ● 2005 and unconditional trading through the IOB will commence on or about the Closing Date. **The Shares have not been, and are not expected to be, listed on any stock exchange.**

Payment and Settlement	Application will be made to have the Regulation S GDRs accepted for clearance through the book-entry settlement systems of Euroclear and Clearstream, Luxembourg and the Rule 144A GDRs accepted for clearance through DTC. Payment for, and delivery of, the Regulation S GDRs will be made on or about ● through the facilities of Euroclear and Clearstream, Luxembourg. Payment for, and delivery of, the Rule 144A GDRs will be made on or about ● through the facilities of DTC. The security identification numbers of the GDRs offered hereby are as follows: Regulation S GDRs CUSIP Number: 30050A202 Regulation S GDRs ISIN: US30050A2024 Regulation S GDRs Common Code: 022005715 Regulation S GDRs SEDOL: B08V9B8 Rule 144A GDRs CUSIP Number: 30050A103 Rule 144A GDRs ISIN: US30050A1034 Rule 144A GDRs Common Code: 022005618 Rule 144A GDRs SEDOL: B08V974 London Stock Exchange trading symbol: EVR PORTAL trading symbol: ●.
Risk Factors	Prospective investors should consider carefully certain risks discussed under "Risk Factors".

SUMMARY CONSOLIDATED FINANCIAL DATA

The selected consolidated financial information set forth below shows Evraz's historical consolidated financial information and other operating information as of 31 December 2004, 2003 and 2002 and for the years then ended. The annual consolidated financial information as of 31 December 2004, 2003 and 2002 and for the years then ended has been extracted without material adjustment from, and should be read in conjunction with, the annual audited consolidated financial statements and related notes included elsewhere in this Offering Circular. Evraz's results of operations for the periods presented are significantly affected by acquisitions. Results of operations of these acquired businesses are generally included in Evraz's consolidated financial statements for the periods after their respective dates of acquisition. The annual consolidated financial information should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations". Evraz's annual consolidated financial statements have been prepared in accordance with IFRS. IFRS differs in certain respects from U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). For a summary of certain differences between IFRS and U.S. GAAP that are relevant to Evraz, see "Summary of Certain Differences between IFRS and U.S. GAAP".

	Year Ended 31 December		
	2004	2003	2002
	(thousands of U.S. dollars, except per share data and as noted)		
CONSOLIDATED INCOME STATEMENT DATA			
Revenues	5,924,648	2,132,639	1,531,727
Cost of revenues	(3,512,987)	(1,583,415)	(1,334,281)
Amortisation of negative goodwill	22,292	22,312	16,149
Gross profit	**2,433,953**	**571,536**	**213,595**
Selling and distribution expenses	(219,149)	(41,761)	(54,527)
General and administration expenses	(324,863)	(163,369)	(109,564)
Other operating expenses, net	(59,263)	(28,565)	2,964
Profit from operations	**1,830,678**	**337,841**	**52,468**
Non-operating income and expense, net	(166,591)	(6,846)	(40,005)
Profit before tax	**1,664,087**	**330,995**	**12,463**
Income tax expense	(415,843)	(75,107)	(11,151)
Net profit	**1,248,244**	**255,888**	**1,312**
Net profit attributable to equity holders of the parent entity	**1,083,810**	**207,926**	**5,876**
Net profit attributable to minority interests	164,434	47,962	(4,564)
Earnings per share	10.11	1.94	0.06
Dividends per share	0.55	—	—
Weighted average number of shares outstanding	107,204,326	107,204,326	107,204,326
Steel segment income statement data			
Revenues(1)	5,809,041	2,060,089	1,516,219
Cost of revenues(1)	(3,566,070)	(1,544,545)	(1,324,207)
Amortisation of negative goodwill	18,305	18,590	15,259
Gross profit	2,261,276	534,134	207,271
Selling and distribution expenses	(205,542)	(37,144)	(54,276)
General and administration expenses	(260,196)	(132,371)	(104,446)
Other operating expenses, net	(53,256)	(29,388)	3,951
Profit from operations	1,742,283	335,261	52,500

	Year Ended 31 December		
	2004	2003	2002
	(thousands of U.S. dollars, except per share data and as noted)		
Mining segment income statement data			
Revenues[1]	340,821	98,476	21,174
Cost of revenues[1]	(212,663)	(84,134)	(17,088)
Amortisation of negative goodwill	2,446	2,446	1,458
Gross margin	130,604	16,788	5,544
Selling and distribution expenses	(9,225)	(3,020)	(1,220)
General and administration expenses	(26,798)	(8,423)	(3,605)
Other operating expenses, net	(8,720)	1,520	(1,830)
Profit (loss) from operations	85,862	6,865	(1,111)
Other operations income statement data			
Revenues[1]	344,838	97,429	14,670
Cost of revenues[1]	(279,998)	(66,956)	(12,353)
Amortisation of negative goodwill	1,541	1,276	—
Gross margin	66,381	31,749	2,317
Selling and distribution expenses	(4,382)	(1,874)	—
General and administration expenses	(52,591)	(29,880)	(808)
Other operating expenses, net	(3,040)	(1,917)	1,902
Profit (loss) from operations	6,368	(1,922)	3,411
CONSOLIDATED BALANCE SHEET DATA (at year end)			
Total assets	4,034,462	2,151,092	1,191,602
Equity	1,542,033	396,683	23,293
Minority interests	356,745	192,540	223,214
Long-term debt, net of current portion	1,123,445	739,033	416,330
CONSOLIDATED CASH FLOWS DATA			
Net cash flows from operating activities	957,173	42,811	118,275
Net cash flows used in investing activities	(792,358)	(356,192)	(117,081)
Net cash flows (used in) from financing activities	(73,400)	459,894	5,773
OTHER MEASURES			
Consolidated Adjusted EBITDA[2]	2,003,856	477,475	208,220
Steel segment Adjusted EBITDA[2]	1,899,333	471,936	206,640
Mining segment Adjusted EBITDA[2]	98,207	7,695	(773)
Other operations Adjusted EBITDA[2]	10,053	207	4,117
Net Debt[3]	1,021,477	382,596	78,880

Notes:

(1) Segment revenues and cost of goods sold include intersegment sales.

(2) Adjusted EBITDA represents profit from operations plus depreciation and amortisation, impairment of assets and loss (gain) on dispositions of property plant and equipment. Adjusted EBITDA is not a measure of financial performance under IFRS, and it should not be considered as an alternative to net profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Evraz's calculation of Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

Reconciliation of Adjusted EBITDA to profit from operations is as follows:

	Year ended 31 December		
	2004	2003	2002
	(thousands of U.S. dollars)		
Consolidated Adjusted EBITDA reconciliation			
Profit from operations	1,830,678	337,841	52,468
Add:			
Amortisation of negative goodwill	(22,292)	(22,312)	(16,149)
Depreciation	183,203	141,000	154,903
Impairment of assets	1,366	5,499	1,919
Loss (gain) on disposal of property, plant & equipment	10,901	15,447	15,079
Consolidated Adjusted EBITDA	2,003,856	477,475	208,220
Steel segment Adjusted EBITDA reconciliation			
Profit from operations	1,742,283	335,261	52,500
Add:			
Amortisation of negative goodwill	(18,305)	(18,590)	(15,259)
Depreciation	159,541	134,514	153,080
Impairment of assets	5,431	5,068	1,493
Loss (gain) on disposal of property, plant & equipment	10,383	15,683	14,826
Steel segment Adjusted EBITDA	1,899,333	471,936	206,640
Mining segment Adjusted EBITDA reconciliation			
Profit from operations	85,862	6,865	(1,111)
Add:			
Amortisation of negative goodwill	(2,446)	(2,446)	(1,458)
Depreciation	16,960	3,507	1,543
Impairment of assets	(5,454)	—	—
Loss (gain) on disposal of property, plant & equipment	3,285	(231)	253
Mining segment Adjusted EBITDA	98,207	7,695	(773)
Other operations Adjusted EBITDA reconciliation			
Profit from operations	**6,368**	**(1,922)**	**3,411**
Add:			
Amortisation of negative goodwill	(1,541)	(1,276)	—
Depreciation	6,702	2,979	280
Impairment of assets	1,291	431	426
Loss (gain) on disposal of property, plant & equipment	(2,767)	(5)	—
Other operations Adjusted EBITDA	10,053	207	4,117

(3) Net Debt represents long-term loans, net of current portion, plus short-term loans and current portion of long-term loans less cash and cash equivalents (excluding restricted deposits). Net Debt is not a balance sheet measure under IFRS, and it should not be considered as an alternative to other measures of financial position. Evraz's calculation of Net Debt may be different from the calculation used by other companies and therefore comparability may be limited.

Net Debt has been calculated as follows:

	Year ended 31 December		
	2004	2003	2002
	(thousands of U.S. dollars)		
Net Debt Calculation			
Add:			
Long-term loans, net of current portion	788,093	354,046	34,257
Short-term loans and current portion of long-term loans	524,696	224,082	87,038
Less:			
Cash and cash equivalents	291,312	195,532	42,415
Net Debt	1,021,477	382,596	78,880

suppliers, any or all of which could have a material adverse effect on Evraz's business and the value of the GDRs.

Legislative and Legal Risks

Weaknesses relating to the Russian legal system and Russian legislation create an uncertain environment for investment and business activity in Russia and thus could have a material adverse effect on Evraz's business and the value of the GDRs.

Russia is still developing the legal framework required to support a market economy. The following risks relating to the Russian legal system create uncertainties with respect to the legal and business decisions that Evraz makes, many of which do not exist in countries with more developed market economies:

- inconsistencies among (1) federal laws; (2) decrees, orders and regulations issued by the president, the government and federal ministries; and (3) regional and local laws, rules and regulations;
- a lack of judicial and administrative guidance on interpreting Russian legislation;
- substantial gaps in the regulatory structure due to delay or absence of implementing regulations;
- the relative inexperience of judges and courts in interpreting new principles of Russian legislation;
- a lack of judicial independence from political, social and commercial forces;
- a high degree of unchecked discretion on the part of governmental authorities; and
- bankruptcy procedures that are not well developed and are subject to abuse.

Additionally, several fundamental laws in Russia have only recently become effective. The enactment of new legislation in the context of a rapid evolution to a market economy and the lack of consensus about the scope, content and pace of economic and political reforms has resulted in ambiguities, inconsistencies and anomalies in the overall Russian legal system. The enforceability and underlying constitutionality of many recently enacted laws is in doubt, and many new laws remain untested. Moreover, courts have limited experience in interpreting and applying many aspects of business and corporate law. Russian legislation also often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these weaknesses could affect Evraz's ability to enforce its legal rights in Russia, including rights under its contracts, or to defend against claims by others in Russia.

The independence of the judicial system and the prosecutor general's office and their immunity from economic, political and nationalistic influences in Russia is also less than complete. The court system is understaffed and underfunded; judicial precedents generally have no binding effect on subsequent decisions; and most court decisions are not readily available to the public. Enforcement of court judgments can in practice be very difficult in Russia. All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. Additionally, court claims are often used in furtherance of political aims, and law enforcement agencies do not always enforce or follow court judgments. Evraz may be subject to such claims and may not be able to receive a fair trial.

These uncertainties also extend to property rights. While legislation has been enacted to protect private property against expropriation and nationalisation, due to the lack of experience in enforcing these provisions and political factors, these protections may not be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of any of Evraz's entities in Russia, their assets or portions thereof, potentially without adequate compensation, could have a material adverse effect on Evraz's business and prospects.

Unlawful, selective or arbitrary Government action may have an adverse effect on Evraz's business and the value of the GDRs.

Governmental authorities have a high degree of discretion in Russia and at times appear to act selectively or arbitrarily, without hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations. Moreover, the Government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or

statements and as if it owned interests in companies then owned by Mastercroft and by the entities from which Mastercroft acquired the interests.

As noted below under "—Summary of Acquisitions—Acquisitions/Start Ups in 2005", Evraz acquired Evraz Ruda in March 2005 from entities under common control with Evraz. This acquisition also represents a reorganisation under common control and for 2005 and thereafter will be accounted for using the uniting of interest method (pooling of interests). As a result, the acquisition will be consolidated with effect from 31 December 2001 as if it had occurred at such date, and acquisitions by Evraz Ruda subsequent to 31 December 2001 will be accounted for by Evraz in the same historical manner as by Evraz Ruda when it made the acquisitions (*i.e.*, generally on the basis of the purchase method). Accordingly, the consolidation of Evraz Ruda will affect the presentation of Evraz's consolidated financial condition and results of operations for the period under review here when Evraz publishes financial information for 2005 and thereafter. Evraz Ruda had total revenues of U.S.$270.5 million and net profit of U.S.$85.7 million for the year ended 31 December 2004 and total assets of U.S.$352.4 million as of 31 December 2004, as calculated under IFRS. As most of Evraz Ruda's sales of iron ore products in 2004 consisted of sales to Evraz (see "Related Party Transactions"), Evraz expects that the principal net effect of this accounting treatment is likely to be an increase in its margins for the period under review.

Business Structure

Segments

Evraz's business is divided into two main segments:

- the steel segment, comprising the production and sale of semi-finished and finished steel products; vanadium slag; coke and coking products; and refractory products; and
- the mining segment, comprising the production, enrichment and sale of iron ore and the development of coking coal fields at Neryungri Ugol and, since the acquisition of Mine 12, the production of coal.

The mining segment does not meet the criteria of a reportable segment under IFRS, as the majority of its revenues are earned in intersegment transactions. However, Evraz's management has designated the mining segment as a reportable segment based on its future plans to develop Evraz's mining business.

Other operations include management, logistics (including Nakhodka Sea Port) and support activities.

Intersegment sales

Evraz is a vertically-integrated steel and mining group. Evraz's mining segment supplied approximately 32% of the steel segment's total requirements of iron ore in 2004 (44% including supplies by KGOK prior to its acquisition in May 2004), and Evraz Ruda, which Evraz acquired in March 2005, supplied a further 28%. The steel segment supplies grinding balls and pit props to the mining segment for use in its day-to-day operations. Evraz believes that the prices at which products are sold between segments are generally based on those at which they could be sold to unrelated third parties and thus are in accordance with relevant Russian transfer pricing rules. See "Risk Factors—Risks Relating to Evraz—Vaguely Drafted Russian transfer pricing rules and lack of reliable pricing information may affect Evraz's results of operations". These transactions are eliminated as intercompany transactions for purposes of Evraz's consolidated financial statements.

Summary of Acquisitions

Evraz has sought to develop an integrated steel and mining business through the purchase of undervalued assets that it believes offer significant upside potential, particularly as Evraz implements improvements in working practices and operational methods.

The following is a summary of the terms of Evraz's primary steel and mining acquisitions. Except as otherwise stated, each of the acquisitions was accounted for using the purchase method of accounting. Accordingly, the results of operations of each such acquired business are included in Evraz's consolidated income statements from the date Evraz acquired control. In certain cases, where Evraz acquired its interests over a period of time, the relevant businesses were accounted for using the equity method until a

controlling financial interest was acquired. Evraz's investment in Raspadskaya is currently accounted for under the equity method.

Acquisitions prior to 2002

- *Nizhny Tagil Iron and Steel Plant*. NTMK is an integrated steel mill that produces primarily railway and construction long products, pipe blanks and semi-finished products. From 1997 to 2001, entities under common control with Evraz acquired a 41.71% interest in NTMK for U.S.$59.3 million and acquired effective control over NTMK by 31 December 2001. As of 31 December 2001, through then-existing agreements, Evraz had the power to cast a majority of the votes at shareholders' meetings and to appoint or remove the majority of the members of the board of directors of NTMK, resulting in NTMK's consolidation into Evraz's consolidated financial statements from that date. Evraz acquired an additional 19.39% interest in NTMK for U.S.$9.0 million during 2002, an additional 13.25% interest for U.S.$26.2 million during 2003, and a further 6.09% interest for U.S.$48.0 million during 2004. Evraz's effective ownership interest in NTMK was 77.09% as of 31 December 2004, and will be 80.44% following the elimination of the minority interest in Mastercroft. On 17 May 2005, Evraz agreed to acquire a further 10.7% of the shares in NTMK from an unrelated minority shareholder of NTMK for U.S.$215 million, payable in cash in installments through 30 November 2005 (subject to acceleration in certain circumstances described under "Principal Shareholders"). The acquisition of this minority interest will increase Evraz's effective ownership interest in NTMK to 91.14%.

- *West Siberian Iron and Steel Plant*. ZapSib is an integrated steel mill that produces primarily construction long products and semi-finished products. In 2001, entities under common control with Evraz acquired a 5.51% interest in ZapSib for U.S.$1.1 million, and by December 31, 2001, Evraz's agents had acquired an additional 31.27% share in ZapSib for U.S.$7.0 million. As of 31 December 2001, through then-existing agreements, Evraz had the power to cast a majority of the votes at shareholders' meetings and to appoint or remove the majority of the members of the board of directors of ZapSib, resulting in ZapSib's consolidation into Evraz's consolidated financial statements from that date. During 2002, 2003 and 2004, Evraz acquired 40.61%, 15.97% and 1.23% of ZapSib's shares for U.S.$19.1 million, U.S.$61.3 million and U.S.$9.3 million, respectively. Evraz purchased an additional 0.48% of the shares in ZapSib through May 2005. Evraz's effective ownership interest in ZapSib was 90.65% as of 31 December 2004, and will be 95.07% following the elimination of the minority interest in Mastercroft (including the additional shares acquired during 2005).

Acquisitions / Start-ups in 2002-2004

- *Vysokogorsky Mining and Processing Integrated Works.* VGOK is an iron ore mining and processing complex that produces sinter from its own iron ore as well as iron ore purchased from other producers. From 1998 through October 2002, enterprises under common control with Evraz acquired an approximately 80% effective interest in VGOK. Evraz acquired effective control over VGOK's operations on 3 October 2002, resulting in VGOK's consolidation into Evraz's consolidated financial statements from that date. From 31 December 2001 to 2 October 2002, VGOK was accounted for under the equity method. Evraz's effective ownership interest in VGOK was 78.50% as of 31 December 2004, and will be 82.03% following the elimination of the minority interest in Mastercroft.

- *Nakhodka Commercial Sea Port*. Nakhodka Sea Port is a sea port located in the Far East of Russia through which Evraz ships most of its export sales. In 2001 and 2002, Evraz acquired an ownership interest of 35.47% in Nakhodka Sea Port for U.S.$6.4 million, and by February 2003 had acquired a further 24.48% interest for U.S.$3.8 million. Evraz has exercised effective control over Nakhodka Sea Port's operations since 15 February 2003, and as a result Nakhodka Sea Port has been consolidated into Evraz's consolidated financial statements from that date. From 11 February 2002 to 15 February 2003, Evraz's investment in Nakhodka Sea Port was accounted for under the equity method. Evraz acquired further interests in Nakhodka Sea Port totalling 31.56% during 2003 for total consideration of U.S.$6.4 million. Evraz's effective ownership interest in Nakhodka Sea Port was 82.21% as of 31 December 2004, and will be 85.91% following the elimination of the minority interest in Mastercroft.

- *Novokuznetsk Iron and Steel Plant*. NKMK is an integrated steel mill that specialises in producing rolled long metal products for the railway sector as well as semi-finished products. NKMK was formed in May 2003; it acquired property, plant and equipment of OAO Kuznetsk Iron and Steel Plant ("KMK") for U.S.$44.7 million subsequent to the dissolution of KMK in bankruptcy proceedings in June 2003 and commenced steel operations in October 2003. Evraz's effective ownership interest in NKMK was 89.97% as of 31 December 2004, and will be 94.00% following the elimination of the minority interest in Mastercroft.

- *Ferrotrade Limited*. Ferrotrade Limited is an export trader that sells Evraz's steel products overseas. Currently, the main international markets into which Ferrotrade Limited makes sales are Taiwan, Thailand, the Philippines, South Korea and Vietnam. Ferrotrade Limited commenced operations in October 2003, as the successor to an entity under common control with Evraz. See "Related Party Transactions". Evraz's effective ownership interest in Ferrotrade Limited was 95.83% as of 31 December 2004, and will be 100.00% following the elimination of the minority interest in Mastercroft.

- *Raspadskaya*. Raspadskaya is one of the largest coal mines in Russia, producing coking coal. On 10 March 2004, as a part of a joint venture agreement, Evraz acquired a 50% ownership interest in Corber Enterprises Limited ("Corber"), which was a joint venture created for the purpose of exercising joint control over the economic activities of Raspadskaya and other subsidiaries of Corber and which then owned 72.03% of the ordinary shares in Raspadskaya. Evraz acquired its interest for a total of U.S.$139.7 million, including U.S.$61.8 million in cash, the issuance of 6% interest-bearing promissory notes with a nominal value of U.S.$19.2 million due after 10 March 2006 and a contribution of 19.15% of the ordinary shares in Raspadskaya. Corber acquired a further 4.20% interest in Raspadskaya during 2004 for U.S.$18.2 million. Evraz's effective ownership interest in Raspadskaya was 45.70% as of 31 December 2004, and will be 47.69% following the elimination of the minority interest in Mastercroft.

- *Neryungri Ugol.* Neryungri Ugol is a coking coal mine being developed by Evraz, from which production is expected to start in 2006. In April 2004, Evraz acquired 100% of Neryungri Ugol for RUR100,000 (U.S.$4,000). Evraz's effective ownership interest in Neryungri Ugol was 95.83% as of 31 December 2004, and will be 100.00% following the elimination of the minority interest in Mastercroft.

- *Kachkanarsky Mining and Processing Integrated Works.* KGOK is an iron ore mining and processing complex that produces sinter, pellets and concentrate from high-vanadium iron ore. On 21 May 2004, Evraz acquired 83.59% of the ordinary shares of KGOK for U.S.$190.3 million and purchased restructured debts of KGOK with fair value of RUR597.0 million (U.S.$20.6 million) at their nominal value of RUR1,283.0 million (U.S.$44.3 million). Evraz acquired further interests in KGOK amounting to 14.04% of the ordinary shares during 2004 for a total of U.S.$31.3 million. Evraz's effective ownership interest in KGOK was 80.68% as of 31 December 2004, and will be 84.38% following the elimination of the minority interest in Mastercroft. See "Description of Business—Legal Proceedings" for a discussion of litigation filed in the United States District Court for the District of Delaware and the Delaware Chancery Court challenging certain aspects of events relating to KGOK's insolvency proceedings and Evraz's subsequent acquisition of KGOK.

Acquisitions / Start-ups in 2005

- *Chiaturmanganum*. In January 2005, Evraz was named the winner in a privatisation tender for the assets of AO Chiaturmanganum, a major manganese ore producer, and AO Vartsikhe GES, a hydroelectric power plant, both of which are located in Georgia, for U.S.$132.0 million. Evraz has paid a U.S.$10 million advance for these assets, with the remainder to be paid after these acquisitions have been completed, which is expected to occur in mid-June 2005. Following completion of the acquisitions of these assets, they are to be contributed into a joint venture with shareholders of Zestafoni (who are contributing their shares in Zestafoni) in Georgia, of which Evraz will own 63.08%.

- *Evraz Ruda.* Evraz Ruda is an iron ore mining and processing complex that produces iron ore concentrate. In March 2005, Evraz acquired a 100% interest in Evraz Ruda for RUR897.3 million (U.S.$32.3 million) from entities under common control with Evraz. As noted above, this will result in Evraz Ruda being consolidated with Evraz effective 31